

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 L-03 EB-08 COME-00 H-01 SP-02
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E.O. 11652: N/A
TAGS: EFIN UK
SUBJECT: US-UK DOUBLE TAX TREATY; CONVERSATIONS BETWEEN
OCCIDENTAL PETROLEUM AND HMTREASURY

1. ARMAND HAMMER, CHAIRMAN, AND JOSEPH BAIRD, PRESIDENT
OF OCCIDENTAL PETROLEUM CORPORATION CALLED ON AMBASSADOR
BREWSTER ON AUGUST 17 TO DEBRIEF EMBASSY ON HAMMER'S DIS-
CUSSIONS ON SAME DATE WITH DENZIL DAVIES, MP, SECRETARY
OF STATE AT HMTREASURY. HAMMER AND BAIRD REPORTED AN
OFFICIAL (MOST LIKELY ANN SMALLWOOD OF INLAND REV-
ENUE), WAS ALSO PRESENT DURING THE TALKS.

2. HAMMER SAID DAVIES EXPLAINED CURRENT UNSETTLED UK PO-
LITICAL SITUATION MAKES IT IMPOSSIBLE TO PREDICT WHETHER
THERE WILL BE AN ELECTION BETWEEN NOW AND OCTOBER, WHEN
PARLIAMENT RECONVENES. THE UK WOULD LIKE THE US TO OFFER
SOME OFFSET TO THE SENATE'S RESERVATION ON ARTICLE 9(4)
WHICH WOULD BE USEFUL IN A PARLIAMENTARY PRESENTATION.
HAMMER VOLUNTEERED TO HELP IF HE COULD IN ALLEVAITING
UNITARY TAX BURDEN IN CALIFORNIA, AND ASKED HMTREASURY
TO PREPARE A GENERAL MEMORANDUM FOR HIS USE, OUTLINING
SOME OF THE SOLUTIONS AND ASSISTANCE THAT POSSIBLY COULD
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BE OFFERED AT THE STATE LEVEL. BAIRD SAID IT WOULD BE PO-
LITICALLY IMPOSSIBLE FOR ANYTHING OTHER THAN STATEMENTS
OF INTENT TO BE MADE BY CALIFORNIA OFFICIALS WITHIN THE
NEXT YEAR, IN PARTICULAR BECAUSE OF FORTHCOMING ELEC-
TIONS.

3. BAIRD SAID US-UK TREATY IS A GOOD ONE FROM US BUSI-

NESS' POINT OF VIEW. ARTICLE 10 ON DIVIDEND RELIEF WILL BE WORTH \$200 MILLION IN REDUCED UK TAX TO OCCIDENTAL. HAMMER HAS EXPLORED WITH SENATOR CRANSTON THE POSSIBILITY OF A RIDER BEING PLACED ON A US TAX BILL THAT WOULD LIMIT UNITARY TAX ASSESSMENTS BY INDIVIDUAL STATES TO INCOME ARISING WITHIN THE US RATHER THAN WORLDWIDE. HE FELT THIS MIGHT BE ACCEPTABLE TO SENATOR CHURCH ("HE HAS AN OPEN MIND ON IT") AND IT COULD BE OF CONSIDERABLE ASSISTANCE TO UK FIRMS IN THE US (WHICH HAVE, IN ANY EVENT, TO USE A US ACCOUNTING BASIS FOR THEIR US ACTIVITIES).

4. DAVIES TOLD HAMMER AND BAIRD ABOUT FORTHCOMING MEETINGS IN LONDON IN LATE SEPTEMBER BETWEEN USTREASURY TAX OFFICIALS AND INLAND REVENUE OFFICIALS. TREASURY REP SUGGESTED THAT MR. BAIRD MIGHT TOUCH BASE WITH TREASURY ASSISTANT SECRETARY DONALD LUBICK CONCERNING CONVERSATIONS THAT MR. HAMMER HAS HAD WITH SENATORS CRANSTON AND JAVITS, CONGRESSMAN O'NEILL, AND THE GOVERNORS OF CALIFORNIA (BROWN) AND LOUISIANA (EDWARDS) CONCERNING US-UK DOUBLE TAX TREATY PROBLEMS.

BREWSTER

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